

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)

Plantation Federal Bank)
Pawleys Island, South Carolina)

OTS Docket No.: 08349)
_____)

Order No.: ATL-2006-12

Date: May 30, 2006

**STIPULATION AND CONSENT TO THE ISSUANCE OF AN
ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF**

WHEREAS, the Office of Thrift Supervision (OTS), based upon information derived from the exercise of its regulatory responsibilities, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding for affirmative relief against Plantation Federal Bank, Pawleys Island, South Carolina, OTS Docket No. 08349 (Plantation Federal or Bank), pursuant to Section 8(b) of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. § 1818(b),¹ and

WHEREAS, Plantation Federal desires to cooperate with the OTS and to avoid the time and expense of such administrative proceeding, and

WHEREAS, Plantation Federal enters into this Stipulation and Consent to the Issuance of an Order to Cease and Desist for Affirmative Relief (Stipulation) (i) without any adjudication on the merits; (ii) without admitting or denying that grounds exist to initiate an administrative cease and desist proceeding; (iii) without admitting or denying the Findings of Fact, except as to Jurisdiction (Paragraph 1 below), which jurisdiction is admitted; and (iv) solely for the purpose

¹ All references to the United States Code (U.S.C.) are as amended, unless otherwise indicated.

of settling this matter in accordance with Rule 408 of the Federal Rules of Evidence and equivalent state provisions.

NOW, THEREFORE, on these premises, Plantation Federal hereby stipulates and agrees as follows:

1. Jurisdiction.

- a. Plantation Federal is a "savings association" within the meaning of Section 3(b) of the FDIA, 12 U.S.C. § 1813(b), and Section 2(4) of the Home Owners' Loan Act (HOLA), 12 U.S.C. § 1462(4). Accordingly, Plantation Federal is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, 12 U.S.C. § 1813(c).
- b. Pursuant to Section 3(q) of the FDIA, 12 U.S.C. § 1813(q), the Director of the OTS is the "appropriate Federal banking agency" with jurisdiction to maintain an administrative cease and desist proceeding against such a savings association. Therefore, the Bank is subject to the jurisdiction of the OTS to initiate and maintain a cease and desist proceeding against it pursuant to Section 8(b) of the FDIA, 12 U.S.C. § 1818(b). The Director of the OTS has delegated to the Regional Director of the Southeast Region of the OTS or his/her designee (Regional Director) the authority to issue cease and desist orders where the savings association has consented to the issuance of the orders.

2. OTS Findings of Fact.

The OTS finds that the Bank has engaged in certain unsafe and unsound practices and violated various laws and regulations to which the Bank is subject, as outlined in detail in the OTS's September 12, 2005 Report of Examination of Plantation Federal (2005 Examination). Such violations include violations of the Currency and Foreign Transactions Reporting Act, as

amended by the USA Patriot Act and other laws (the Bank Secrecy Act or BSA);² the related BSA regulations issued by the U. S. Department of the Treasury, 31 C.F.R. Part 103, and the OTS, 12 C.F.R. § 563.177; and the OTS regulations governing suspicious activity reports and other reports and statements set forth in 12 C.F.R. § 563.180.

The Bank also has engaged in a number of unsafe and unsound practices, including (i) failing to adequately report large loans to the Board and documenting the Bank's compliance with its Loans to One Borrower limit; (ii) failing to maintain a fully effective internal audit and control program; (iii) failing to correct deficiencies noted in prior OTS examination reports; (iv) failing to incorporate required minimum compliance program components; and (v) failing to monitor and report excess supervisory loan to value loans to the Board.

3. Consent.

Plantation Federal consents to the issuance by the OTS of the accompanying Consent Order to Cease and Desist for Affirmative Relief (C&D Order). The Bank further agrees to comply with the terms of the C&D Order upon issuance and stipulates that the C&D Order complies with all requirements of law.

4. Finality.

The C&D Order is issued under the provisions of Section 8(b) of the FDIA, 12 U.S.C. §§ 1818(b). Upon its issuance by the Regional Director, it shall be a final order, effective and fully enforceable by the OTS under the provisions of Section 8(i) of the FDIA, 12 U.S.C. § 1818(i).

5. Waivers.

Plantation Federal waives the following:

- a. the right to be served with any written notice of the OTS's charges against it as

² 31 U.S.C. § 5311 et seq.

provided by Section 8(b) of the FDIA, 12 U.S.C. § 1818(b);

b. the right to an administrative hearing of the OTS's charges against it as provided by Section 8(b) of the FDIA, 12 U.S.C. § 1818(b);

c. the right to seek judicial review of the C&D Order including, without limitation, any such right provided by Sections 8(h) or (i) of the FDIA, 12 U.S.C. §§ 1818(h) and (i), or otherwise to challenge the validity of the C&D Order;

d. any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the C&D Order, whether arising under common law, the Equal Access to Justice Act, 5 U.S.C. § 504, or 28 U.S.C. § 2412; and

e. the right to assert this proceeding, its consent to issuance of the C&D Order, and/or the issuance of the C&D Order, as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity.

6. Other Governmental Actions Not Affected.

Plantation Federal acknowledges and agrees that its consent to the issuance of the accompanying C&D Order is solely for the purpose of resolving certain potential OTS administrative enforcement charges as provided above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, liability, or other administrative, civil, or criminal proceeding that arise pursuant to this action or otherwise, and that may be or have been brought by another governmental entity.

7. Reservation of Rights.

Plantation Federal acknowledges that the OTS reserves the right to bring such additional action(s), charge(s), or proceeding(s) arising from or related in any way to the Findings of Fact or any other matter, as the OTS deems appropriate, in its sole discretion.

8. Agreement for Continuing Cooperation.

Plantation Federal agrees that, on reasonable notice and without service of a subpoena, it will promptly respond to any written request from the OTS for documents that the OTS reasonably requests to demonstrate compliance with the C&D Order. Plantation Federal agrees to cooperate with the OTS or any other federal agency in any review requested by the OTS or any other federal government agency, or in any investigation, litigation, or other proceeding relating to Plantation Federal, its holding company, subsidiaries, service corporations, or institution-affiliated parties.

9. Miscellaneous.

- a. The construction and validity of this Stipulation and the C&D Order shall be governed by the laws of the United States of America.
- b. If any provision of this Stipulation and the C&D Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.
- c. All references to the OTS in this Stipulation and the C&D Order shall also mean any of the OTS's predecessors, successors, and assigns.
- d. The section and paragraph headings in this Stipulation and the C&D Order are for

convenience only, and such headings shall not affect the interpretation of this Stipulation or the C&D Order.

e. The terms of this Stipulation and the C&D Order represent the final agreement of the parties with respect to the subject matters hereof and constitute the sole agreement of the parties with respect to such subject matters.

f. This Stipulation and the C&D Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Director, Deputy Director, Regional Director, or other authorized representative.

10. Signature of Directors.

Each Director signing this Stipulation attests that he/she voted in favor of a resolution authorizing the execution of the Stipulation.

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WHEREFORE, Plantation Federal, by a majority of its directors, executes this
Stipulation and Consent to the Issuance of an Order to Cease and Desist for Affirmative Relief
intending to be legally bound hereby.

OFFICE OF THRIFT SUPERVISION

/s/ John E. Ryan
John E. Ryan
Regional Director

Dated: May 30, 2006

PLANTATION FEDERAL
Pawleys Island, South Carolina
Accepted by a majority of its directors:

/s/
J. Edward Morris, III
President, Chief Executive Officer
and Chairman of the Board

/s/
Arthur H. Lachicotte, Jr.
Director

/s/
Gary C. Cooper
Director

/s/
H. E. Pearce, Jr.
Director

/s/
John B. Dawson
Director

/s/
William D. Richmond
Director

/s/
William W. Dear, Jr.
Director

/s/
Charles R. Welch
Director

/s/
Carol R. Jayroe
Director

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)

Plantation Federal Bank)
Pawleys Island, South Carolina)

OTS Docket No.: 08349)
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Order No.: ATL-2006-12

Date: May 30, 2006

CONSENT ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF

WHEREAS, Plantation Federal Bank, Pawleys Island, South Carolina, OTS Docket No. 08349 (Plantation Federal or Bank), by and through its Board of Directors (Board), has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist for Affirmative Relief (Stipulation); and

WHEREAS, Plantation Federal, by executing the Stipulation, has consented and agreed to the issuance of this Consent Order to Cease and Desist for Affirmative Relief (C&D Order) by the Office of Thrift Supervision (OTS), pursuant to Section 8(b) of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. § 1818(b)¹; and

WHEREAS, the Director of the OTS has delegated to the Regional Directors of the OTS the authority to issue consent orders on behalf of the OTS pursuant to provisions of Section 8 of the FDIA, 12 U.S.C. § 1818.

NOW, THEREFORE, IT IS ORDERED THAT:

¹ All references to the United States Code (U.S.C.) are as amended.

Order to Cease and Desist

1. The Bank and its directors, officers, employees, and agents shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling or the aiding and abetting of any violation of:

a. the Currency and Foreign Transactions Reporting Act, as amended by the USA Patriot Act and other laws (the Bank Secrecy Act or BSA), 31 U.S.C. §§ 5311 et seq., and the related BSA regulations issued by the U. S. Department of the Treasury, 31 C.F.R. Part 103, and the OTS, 12 C.F.R. § 563.177 (collectively with the aforementioned laws and regulations, the BSA Laws and Regulations);

b. the OTS regulations governing suspicious activity reports (SAR) and other reports and statements set forth in 12 C.F.R. § 563.180 (the SAR Regulations); and

c. the National Flood Insurance Act and the Flood Disaster Protection Act, 42 U.S.C. § 4001 et seq. (collectively, the FDPA) and the OTS regulations promulgated thereunder at 12 C.F.R. § 572.

Board Oversight

2. The Board shall require Management to fully and timely implement the corrective actions and amendments and revisions to Bank policies and procedures adopted by the Board in accordance with the terms and requirements of each of the provisions of this Order. The Board shall institute such procedures and steps, including documentation requirements, as are necessary to ensure Management's full and timely completion of all Board adopted corrective actions and implementation and adherence to amendments or revisions to Bank policies by Management and staff. A written report shall be prepared and submitted to the Board each month regarding the completion status of all corrective actions adopted by the Board.

3. Within thirty (30) days after the Effective Date of this C&D Order, the Board shall review its existing organizational structure and develop, adopt, and implement policies and procedures establishing clear lines of authority, responsibility and reporting (Corporate Governance Policies). The Board shall ensure that the authority, responsibilities and reporting requirements of each position are clearly defined and communicated to each employee. The Corporate Governance Policies shall include a comprehensive Conflict of Interest and Ethics policy (Conflict Policy) that is consistent with the guidance contained in Section 310 of the OTS Examination Handbook and that will ensure the Bank's compliance with 12 C.F.R. Part 215, 12 C.F.R 563.41, 12 C.F.R. 563.43 and 12 C.F.R. § 563.200. The Corporate Governance Policies shall require, at a minimum, (i) any director with any interest in a particular matter under review by the Board to abstain from discussion and voting on the matter; (ii) specifically address compensation paid to directors and officers in connection with loans originated or purchased by the Bank; and (iii) establish specific documentation requirements for work related expenses paid by the Bank. The Board shall take all steps necessary to ensure that the Corporate Governance Policies, including the Conflict Policy required by this Paragraph 3, are implemented and thereafter adhered to by Management and staff of the Bank. The Board shall submit a copy of the Corporate Governance Policies, including the Conflict Policy required by this Paragraph 3, to the Regional Director within ten (10) days after adoption.

Anti-Money Laundering/Bank Secrecy Act Compliance Program

4. The Board shall take all actions necessary and appropriate to strengthen Plantation Federal's written program for compliance with the BSA Laws and Regulations, the SAR Regulations, and the guidance set forth in the Federal Financial Examination Council's (FFIEC) Bank Secrecy Act/Anti-Money Laundering Examination Manual (BSA Examination Manual). The Bank's written program referenced in this Paragraph 4 shall hereinafter be referred to as the BSA Compliance Program. The Board shall, at a minimum, take the following actions:

a. Within thirty (30) days after the Effective Date of this C&D Order, the Board shall cause the Bank to execute a new or revised engagement letter with its qualified independent outside third party (Consultant), as previously engaged by Plantation Federal, to conduct a comprehensive review and assessment of the Bank's BSA Compliance Program for compliance with the BSA Laws and Regulations, the SAR Regulations, and the guidance set forth in the FFIEC's BSA Examination Manual (BSA Review). The new or revised engagement letter shall require the preparation and submission of a written report to the Board that (i) sets forth the scope of the BSA Review; (ii) contains a detailed discussion of the BSA Compliance Program's adequacy and effectiveness, including the adequacy of resources available or devoted to the BSA Compliance Program and training of personnel with BSA responsibilities; (iii) specifically identifies and describes all weaknesses or deficiencies in the BSA Compliance Program, including failure of the BSA Compliance Program to comply with the BSA Laws and Regulations, the SAR Regulations, and the guidance set forth in the BSA Examination Manual; and (iv) contains specific recommendations regarding appropriate corrective and remedial actions and steps to be taken to correct identified weaknesses or deficiencies (BSA Report). The BSA Review by the Consultant shall be completed within sixty (60) days after the Effective Date of this C&D Order. The BSA Report shall be completed and delivered to the Board within sixty (60) days after the completion of the Consultant's BSA Review.

b. Within thirty (30) days after the Effective Date of this C&D Order, the Board shall revise the Bank's BSA Compliance Program to include (i) specific written methodologies for assigning risk levels to the Bank's customers and accounts (Risk Assignment Methodology); and (ii) appropriate ongoing due diligence levels, oversight and monitoring requirements, and recordkeeping and documentation requirements based upon the risk level assigned to the customer or account in accordance with the Bank's Risk Assignment Methodology, for all accounts, including enhanced due diligence levels and oversight, monitoring and documentation requirements for accounts that present a heightened risk of conduct of potentially unlawful activities or transactions (Higher Risk Accounts).

c. Within sixty (60) days after the Effective Date of this C&D Order, the Board shall require Management to conduct a review of the Bank customers to ensure that all high risk accounts and money service businesses have been accurately identified and appropriately categorized under with the Bank's Risk Assignment Methodology. Management will ensure that all required documentation and registrations or licenses have been provided. Any deficiencies shall be addressed and corrected within twenty (20) days after completion of the review required by this Paragraph 4.c. Thereafter, Management shall ensure that such accounts are subjected to the appropriate monitoring and oversight monitoring requirements established by the Board.

d. Within thirty (30) days after the Effective Date of this C&D Order, the Board shall revise the Bank's BSA Compliance Program to (i) strengthen and improve the annual independent testing of the Bank's compliance with the BSA Laws and Regulations and the SAR Regulations; (ii) ensure that the independent test comprehensively reviews the Bank's BSA risk-assessments; and (iii) specifically addresses the weaknesses and deficiencies noted in the Bank's September 12, 2005 OTS Report of Examination (2005 Examination). The BSA Policy shall require the independent test to be completed at least annually, commencing from the date of completion of the BSA Review referenced in Paragraph 4.a above. The Board shall ensure that the scope of the test considers and incorporates, as appropriate for the size and complexity of the Bank, the examination procedures set forth in the BSA Examination Manual.

5. The Board shall review and discuss the BSA Report prepared in accordance with Paragraph 4.a. above at the next regularly scheduled board meeting following its completion. The Board shall amend and revise its BSA Compliance Program and adopt such other corrective actions as are necessary and appropriate to address all weaknesses and deficiencies identified in the BSA Report. The Board's review, discussions and consideration and adoption of corrective actions shall be fully documented and detailed in the Board meeting minutes.

6. The Board shall require Management to fully and timely implement the corrective actions adopted by the Board in accordance with Paragraph 5 above and to ensure the Bank and its Management and staff adhere to the written BSA Compliance Program, as amended by the Board. The Board shall institute procedures and steps to ensure Management's full and timely completion of all Board adopted corrective actions and to evaluate and ensure the Bank's BSA Compliance Program is fully implemented and thereafter fully adhered to by the Management and staff of the Bank.

7. The Board shall conduct a comprehensive review of the Bank's written BSA Compliance Program not less than annually to assess its adequacy and effectiveness at ensuring the Bank's compliance with applicable BSA Laws and Regulations, SAR Regulations, and the guidance contained in the BSA Examination Manual, giving appropriate consideration to the Bank's operations, activities, size and complexity. The Board may retain an experienced and knowledgeable consultant to assist in such review. The Board shall promptly adopt and implement such revisions and amendments as are necessary to address any weaknesses or deficiencies and ensure the adequacy and effectiveness of the BSA Compliance Program and Plantation Federal's continued compliance with applicable laws and regulations. The Board will direct Management to fully implement and ensure Management and staff adheres to any corrective actions or changes made by the Board. The Board shall institute procedures and steps to ensure Management's full and timely completion of all Board adopted corrective actions.

Currency Transaction and Suspicious Activity Reports

8. The Board shall establish and adopt specific policies and procedures and manuals to ensure the Bank's accurate, complete and timely filing of Currency Transaction Reports (CTR) and SARs with appropriate regulatory agencies and law enforcement authorities in compliance with applicable law and regulation. The policies and procedures adopted by the Board pursuant to this Paragraph 8 shall, at a minimum, include (i) maintaining the daily large cash transactions report threshold at \$3,000; (ii)

establishing detailed policies, procedures and guidelines, including documentation and reporting requirements, for the review of large cash transaction reports; (iii) providing a review process and reporting procedures that include the involvement of the Bank's BSA Officer for any transactions identified as unusual or suspicious; and (iv) establishing specific procedures and requirements to ensure that all branch offices and personnel appropriately identify transactions that may require a SAR filing and fully comply with the review process and reporting guidelines for such transactions.

9. The Board shall require Management to conduct, or retain a qualified independent outside third party with knowledge of the BSA Laws and Regulations and experience in compliance with the requirements imposed by such laws and regulations to conduct, a review of the Bank's daily large cash transactions report (using the \$3,000 threshold referenced in Paragraph 8 above) and all Higher Risk Account transactions consistent with the requirements adopted by the Board pursuant to Paragraphs 4.b and 8 of this C&D Order. The review shall cover the twelve (12) month period beginning on April 1, 2005, and shall identify all transactions and activity for which the filing of a CTR or SAR is required. Management shall be directed to immediately prepare and file any CTR or SAR with the appropriate regulatory agencies and law enforcement authorities on any transactions or activities for which a CTR or SAR was required but not previously filed. Management shall prepare a report detailing its review including, at a minimum, a list of all transactions and activities for which the filing of a CTR or SAR was required, the relevant date(s) of the transaction or activity, a brief description of the facts and circumstances requiring a SAR to be filed, and the date that each SAR was actually filed with appropriate regulatory and law enforcement authorities (Large Cash Transactions Report). A copy of Management's Large Cash Transactions Report and the Board meeting minutes reflecting the Board's review of the Large Cash Transactions Report shall be provided to the Regional Director within ten (10) days after the Board' review.

BSA Training

10. Within sixty (60) days after the Effective Date of this C&D Order, Management shall develop, and the Board shall review and adopt, and thereafter ensure Bank adherence to, a comprehensive training program for all appropriate operational and supervisory personnel to ensure awareness of their responsibility for (i) compliance with the requirements of the BSA Laws and Regulations and the OTS regulations governing SAR filings; (ii) the BSA and AML risks inherent to their departments and products; and (iii) any changes to the Bank's BSA Compliance Program required by this C&D Order, the BSA Review under Paragraph 4.a., the annual BSA Compliance Program review under Paragraph 7, annual independent tests of the Bank's BSA Compliance Program, future OTS examinations, and amendments to the BSA Laws and Regulations (BSA Training Program). The BSA Training Program should include requirements for mandatory attendance, the frequency of training, specialized training procedures for certain departments of the Bank based upon the particular operations and risk presented by such areas (such as the wire transfer department), and procedures and timing for updating the BSA Training Program and materials, based upon violations, deficiencies and weaknesses identified. The Bank shall maintain documentation of all BSA training attended by its employees.

Compliance Program

11. Within sixty (60) days after the Effective Date of this C&D Order, the Board shall review the December 19, 2002 Chief Executive Officer Letter from OTS Managing Director Scott Albinson regarding the revised Compliance Self Assessment Guide (CEO Letter 171) and the guidance contained in OTS Regulatory Bulletin (RB) 37-8 and make such amendments and revisions to the Bank's written compliance management program (Compliance Program) as are necessary to ensure that the Bank maintains a comprehensive and effective Compliance Program that satisfies the requirements of CEO Letter 171 and RB 37-8. The Board shall designate a member of Senior Management as the Bank's Compliance Officer who shall be responsible for ensuring the Bank's

adherence to its Compliance Program. The Bank's Compliance Officer shall provide the Board a quarterly report detailing Management's findings and any corrective action taken or suggested by Management.

Internal Audit and Controls

12. Within sixty (60) days after the Effective Date of this C&D Order, the Board shall review and amend the Bank's policies and procedures to ensure that the Bank has an adequate internal audit and control program (Audit and Control Program) with a designated internal auditor (Internal Auditor) who shall be responsible for monitoring the Bank's accounting, recordkeeping, and reporting functions to assess whether they are current, complete and accurate. The Audit and Control Program shall be appropriate for the Bank's size and complexity, including the nature and scope of its activities, and consistent with the guidance provided in Sections 340 and 355 of the OTS Examination Handbook. In reviewing and amending the Bank's Audit and Control Program, the Bank shall consult with the Bank's independent auditors to determine appropriate and adequate personnel needs, funding requirements, and procedural enhancements. The Bank's Audit and Control Program as amended and adopted by the Board shall, at a minimum:

- a. ensure that the organizational plan adopted by the Board in accordance with Paragraph 3 of this C&D Order segregates functional responsibilities and duties appropriately;
- b. include a system of authorization limits, dual controls, account access authority and recording procedures that ensures reasonable control of assets, liabilities, income and expenses and limits employee's authority to access and modify their own accounts and loans;
- c. include sound practices that are to be followed by each organizational department in the performance of its duties and functions, including a teller manual containing appropriate operational procedures;

- d. provide for an internal audit function with an Internal Auditor who shall report directly to the Board;
- e. require adequate testing and review of all information systems, including verification of review of system reports, such as loan maturity reports, by Bank Management and staff;
- f. provide for adequate documentation of tests and findings and any corrective actions taken or required by the Board or Management;
- g. establish categories of risk for each of the Bank's operations and prioritize and set appropriate timeframes for review;
- h. require verification and review of corrective actions to address material problems or weaknesses; and
- i. provide for review of employee expenses and supporting documentation to determine the adequacy of the documentation and verify the appropriateness of the expense under Internal Revenue Service standards.

13. The Board shall take all steps necessary to ensure that the Audit and Control Program required by Paragraph 12 above is implemented and thereafter fully adhered to by Management and staff of Plantation Federal. The Board shall submit a copy of the Audit and Control Program required by Paragraph 12 to the Regional Director within ten (10) days after adoption by the Board.

14. Beginning with the calendar quarter ending June 30, 2006, the Board shall continue to require the Internal Auditor to submit quarterly reports to the Board, within sixty (60) days after the conclusion of the field work for each functional area audit performed, which in no event may exceed sixty (60) days after the end of each calendar

quarter, regarding the Bank's compliance with (i) laws and regulations applicable to the functional area audits conducted by the Internal Auditor; (ii) the Audit and Control Program and other internal policies, procedures and plans applicable to the functional area audits conducted by the Internal Auditor; and (iii) this C&D Order (Quarterly IA Report). The Board shall review the Quarterly IA Report within thirty (30) days after its completion and adopt specific corrective actions as are necessary and appropriate. The Board's review of each Quarterly IA Report and the corrective actions adopted as a result shall be documented in the minutes of the appropriate Board meeting. The Board shall submit a copy of each Quarterly IA Report and the minutes reflecting the Board's review and adoption of corrective action to the Regional Director within ten (10) days after the date of the appropriate Board meeting.

Real Estate Lending

15. Within sixty (60) days after the Effective Date of this C&D Order, the Board shall require Management to conduct a review of the Bank's outstanding real estate loans and identify all such loans with loan to value (LTV) ratios in excess of the supervisory LTV limits contained in 12 C.F.R. § 560.101 (High LTV Loans). Management shall prepare and submit to the Board for review at its next regularly scheduled board meeting a report detailing all High LTV Loans identified by Management. A copy of the report provided to Board and the Board meeting minutes shall be provided to the Regional Director within ten (10) days after the date of the Board's review.

16. Beginning with the calendar quarter ending June 30, 2006, the Board shall require Management to prepare a quarterly report identifying all real estate loans in excess of \$750,000 granted with a material exception to the Bank's Loan Policies, including but not limited to High LTV Loans (Quarterly Loan Policy Report). The Quarterly Loan Policy Report shall be submitted to and reviewed by the Board at the first regularly scheduled board meeting following the end of each calendar quarter. The Quarterly Loan Policy Report shall specify the nature of each exception and the aggregate level of loans outstanding that were granted as exceptions to the Bank's Loan Policies. The Board shall

ensure that the total amount of outstanding High LTV Loans does not exceed the limitations set forth in 12 C.F.R. § 560.101. The Board's review of the Quarterly Loan Policy Report shall be fully documented in the Board meeting minutes.

Loans to One Borrower

17. Within thirty (30) days after the Effective Date of this C&D Order, the Board shall develop, adopt and implement such policies and procedures as necessary to ensure that the Bank complies with the Loans to One Borrower (LTOB) limitations set forth in 12 C.F.R. § 560.93 (LTOB Policies). The LTOB Policies adopted by the Board shall, at a minimum, fully address all LTOB deficiencies noted in the 2005 Examination. The LTOB Policies shall ensure that all loan participations comply with the requirements set forth in 12 C.F.R. Part 32, including 12 C.F.R. § 32.2(k)(2)(vi). The LTOB Policies also must require documentation for all lending relationships where the borrower's total loans outstanding exceeds \$750,000 sufficient to demonstrate full compliance with all requirements of 12 C.F.R. § 560.93 and 12 C.F.R. Part 32, including (i) information sufficient to identify any and all related persons, entities and interests of the borrower; and (ii) must establish an aggregate per borrower loan amount above which full Board approval must be obtained and documented prior to making any loan commitment.

Board Compliance Committee

18. Effective immediately, the Board shall appoint a committee (the Regulatory Compliance Committee) comprising three (3) or more Directors, the majority of whom shall be independent of Management, to review and monitor the Bank's compliance with the provisions of this C&D Order and the completion of all corrective action required in the 2005 Examination. Within thirty (30) days after the Effective Date of this C&D Order, the Compliance Committee shall provide the full Board with its written recommendations on corrective actions to address the Examination Deficiencies and to comply with this C&D Order. The Board shall review the Compliance Committee's report and make such amendments, revisions and other changes as are required to correct

the Examination Deficiencies. The Board's review and actions taken shall be fully documented in the Board meeting minutes. A copy of the Compliance Committee's report and the Board meeting minutes shall be provided to the Regional Director within ten (10) days after the Board meeting.

19. Beginning with the calendar quarter ending June 30, 2006, within thirty (30) days after the end of each calendar quarter, the Regulatory Compliance Committee shall submit a written progress report to the Board detailing the actions taken to comply with each provision of this C&D Order and the actions required by the 2005 Examination, as well as the results of those actions.

20. Beginning with the calendar quarter ending June 30, 2006, within forty-five (45) days after the end of each calendar quarter, the Board shall submit to the Regional Director: (i) a copy of the Regulatory Compliance Committee's quarterly progress report required by Paragraph 18 above, with any additional comments made by the Board; and (ii) a written certification that each Director has reviewed the report.

Compliance with Order

21. All policies, procedures, corrective actions, plans, programs, reviews and systems required by this C&D Order (collectively, Policies and Procedures) shall conform to all applicable statutes, regulations, OTS policy and guidance. The Board shall submit copies of all Policies and Procedures required by this C&D Order to the Regional Director within the timeframes specified or, in the event a timeframe is not specified, within thirty (30) days after adoption by the Board. The Board shall revise such Policies and Procedures as required by the Regional Director within thirty (30) days of receipt of written direction from the Regional Director. The Policies and Procedures, as modified consistent with the written direction of the Regional Director, shall be incorporated into this C&D Order and any deviation from such Policies and Procedures shall be a violation of this C&D Order.

Definitions

22. All technical words or terms used in this C&D Order for which meanings are not specified or otherwise provided by the provisions of this C&D Order shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, the HOLA, the BSA, the FDIA, OTS Memoranda or other published OTS guidance. Any such technical words or terms used in this C&D Order and undefined in said Code of Federal Regulations, the HOLA, the FDIA, OTS Memoranda, or other published regulatory guidance shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

Successor Statutes, Regulations, Guidance, Amendments

23. Reference in this C&D Order to provisions of statutes, regulations, OTS Memoranda, and other published regulatory guidance shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

No Violations Authorized; OTS Not Restricted

24. Nothing in this C&D Order or the Stipulation shall be construed as: (i) allowing the Bank to violate any law, rule, regulation, or policy statement to which it is subject; or (ii) restricting or estopping the OTS from taking any action(s) that it believes are appropriate in fulfilling the responsibilities placed upon it by law including, without limitation, any type of supervisory, enforcement or other action that the OTS determines to be appropriate, arising out of matters described in the most recent Report of Examination, or based on other matters.

Time Limits; Effect of Headings; Separability Clause; Stipulation Incorporated

25. Time limitations for compliance with the terms of this C&D Order run from the Effective Date, unless otherwise noted.

26. The section and paragraph headings herein are for convenience only and shall not affect the construction hereof.

27. In case any provision in this C&D Order is ruled to be invalid, illegal or unenforceable by the decision of any court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his/her sole discretion determines otherwise.

28. The Stipulation is made a part hereof and is incorporated herein by this reference.

Effective Date; Duration

29. This C&D Order is and shall become effective on the date it is issued, i.e., the Effective Date as shown on the first page hereof. This C&D Order (including the related Stipulation) shall remain in effect until terminated, modified or suspended, in writing by the OTS, acting through its Director, Regional Director or other authorized representative.

OFFICE OF THRIFT SUPERVISION

By: /s/ John E. Ryan

John E. Ryan
Regional Director